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Cash rental rates up again, but slowing down

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Cash rental rates up again, but slowing down

By William Edwards, extension economist, 515-294-6161, wedwards@iastate.edu

Anyone who is involved with the rental market for Iowa farmland knows that rental rates have been pushed higher by the favorable corn and soybean prices that farmers enjoyed in 2007 and 2008. How-

ever, lower prices in late 2008 and 2009 seem to have taken much of the steam out of the land market. Results from the most recent Iowa State University Extension survey estimated that the average cash rent for corn and soybean land in the state for 2009 was \$185 per acre, \$8 per acre higher (4.5 percent) than in last year's survey. This compares to an increase of \$27 per acre (18 percent) from 2007 to 2008.

The intent of the ISU survey is to report typical rents in force, not the highest or lowest values heard through informal sources. Rental values were estimated by asking over 2,000 people familiar with the land market what they thought were typical rates in their county for high, medium and low quality row crop land, as well as for hay and pasture acres. For 2009 a total of 1,271 responses were received. Of these, 39 percent came from farmers, 27 per-

cent from landowners, 11 percent from professional farm managers, 15 percent from lenders, and 9 percent from other professionals.

The most positive factor affecting rents has been higher grain prices. Consistently good yields in recent years have also lent support. On the negative side, escalating costs for fuel, fertilizer, seed, pesticides and machinery have offset some of the higher revenues. Wet, cool weather and flooding in some part of Iowa may have dampened competition for rented land for 2009, as well. There was evidence from

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Handbook updates

For those of you subscribing to the handbook, the following updates are included.

Change in Corn Prices by Two Week Period, 1999-2008 – A2-17 (1 page)

Change in Soybean Prices by Two Week Period, 1999-2008 – A2-18 (1 page)

Joint Machinery Ownership – A3-34 (3 pages)

Change in Hog Prices by Two Week Period, 1999-2008 – B2-15 (1 page)

Change in Cattle Prices by Two Week Period, 1999-2008 – B2-20 (1 page)

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University Extension

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the survey that the higher average rents came about mostly from renegotiation of leases that had not been changed for several years. On the other hand, many of the higher rental rates either stayed the same or were lowered slightly for 2009.

Other resources available for estimating a fair cash rental rate include Ag Decision Maker information file C2-20, "Computing a Cropland Cash Rental Rate," and file C2-21, "Flexible Farm Lease Agreements." Both of these include decision file electronic worksheets to help analyze leasing questions.



Farm bill and leasing meetings information

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Informational meetings were held throughout the state this spring to cover provisions of the 2008 Farm Bill. This summer, meetings will continue to address new sign-up dates, rules, and other regulations that have been finalized in recent weeks. The meetings will cover payment limitations, current Direct and Counter-Cyclical Program (DCP), the new revenue component known as the Average Crop Revenue Election (ACRE) program, and the new permanent disaster program (SURE).

The meetings are intended to assist landowners and operators in their decision whether to enroll in the new ACRE program or stay with the current DCP. ISU Extension ag business field specialists will discuss revenue features of the ACRE program. The Ag Decision Maker ACRE decision tool will be presented to show projected revenue and payments. Meetings will last approximately two to three hours.

Meeting times, locations, and registration information are included on the AgDM meetings page (<http://www.extension.iastate.edu/agdm/info/meetings.html>), and new locations will be added as they become available. Information Files and updated Decision Tools for the 2008 Farm Bill are available on the Ag Decision Maker Farm Bill page (<http://www.extension.iastate.edu/agdm/info/farmbill.html>). Decision Tools are updated frequently to correct for new price information or rule adjustments that have been made.

Farmland Leasing Workshops

Farmland leasing workshops are also being held during July and August. Workshops are designed to assist landowners, tenants and other agri-business professionals with issues related to farmland ownership, management, and leasing agreements.

Each workshop attendee will receive a set of useful materials about farm leasing arrangements. Workshops will last approximately three hours and will be led by Iowa State University Extension farm management specialists.

The Leasing Meetings page (<http://www.extension.iastate.edu/agdm/info/meetings2.html>) lists available meeting dates, locations, and registration information. Locations will be added as they become available, or contact the local county extension office to find the nearest meeting location. The Leasing section of AgDM also provides useful materials for negotiating leases, information on varying types of leases, and lease forms.

Knowing the latest information and where to find the best resources will make decisions easier for you and your clientele. Look to ISU Extension and Ag Decision Maker for information and decision tools this summer.